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Banking, Commerce and Insurance Committee
February 08, 2011

[LB205 LB345 LB424 LB551 LB684]

The Committee on Banking, Commerce and Insurance met at 1:30 p.m. on Tuesday, February 8, 2011, in Room 1507 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB205, LB345, LB684, LB551, and LB424. Senators present: Rich Pahls, Chairperson; Beau McCoy, Vice Chairperson; Mike Gloor; Dave Pankonin; Pete Pirsch; and Dennis Utter. Senators absent: Chris Langemeier; and Mark Christensen.

SENATOR PAHLS: Good afternoon. I want to welcome you to Banking, Commerce and Insurance Committee hearing. My name is Rich Pahls. I represent District 31 in Omaha, Nebraska. We will take up the bills as posted. And to better facilitate this meeting today, I'm going to ask you to take a look at the small chart over there and see some of the procedures I would like to have us follow. And, again, one thing, I want to make sure...it helps me keep this group focused if once you're ready to speak, if you move to the chairs that are labeled Reserve. If you have materials to hand out, we need at least ten copies. If you need copies right now, wave your hand, and I'll have one of the pages run them off for you. Good, as usual, we're well prepared. Just want to introduce the committee counsel, Bill Marienau, and all the way over here, Jan Foster. And she would appreciate it if you would spell your name correctly, first of all, (laugh). I just thought I'd wake you up here a little bit, or at least spell your name, so that makes it easier for the record. I'll start all the way over here and the senators introduce themselves. []

SENATOR UTTER: I'm Dennis Utter from District 33, Hastings. []

SENATOR PANKONIN: Dave Pankonin, District 2. I live in Louisville. []

SENATOR PIRSCH: I'm Pete Pirsch, District 4 in Omaha and parts of Douglas County.
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SENATOR McCOY: Beau McCoy, District 39, Omaha and Elkhorn. [LB205]

SENATOR GLOOR: Mike Gloor, District 35, Grand Island. []

SENATOR PAHLS: And we have a couple of senators who may be here a little later on, and we have two pages, Tom Kelly...wave your hand, Tom...and Matt McNally. Okay? Okay, we are ready to start with LB205, Senator Mello. [LB205]

SENATOR MELLO: (Exhibit 1) Good afternoon, Chairman Pahls and members of the Banking, Commerce and Insurance Committee. My name is Heath Mello, M-e-l-l-o, and I represent the 5th Legislative District which includes south Omaha and Bellevue. As one of the younger members of the Legislature, I've always found mindful of the unique challenges facing my generation of Nebraskans. The out migration of our state's young, college-educated population, more commonly known as "Brain Drain" is one of those challenges. The 2000 census identified Nebraska as the ten most heavily out-migrated state for young, single, college-educated people. The Legislature's own Planning Committee of which I'm a member of, found that in 2008, just 27.1 percent of Nebraskans over the age of 25 had completed a bachelor's degree. This ranked 23rd nationally and below the national average. Nebraska's ranking slips further when looking at advanced degrees. Just 8.6 percent of Nebraskans over the age of 25 had an advanced degree in 2008, well below the national average and ranked 31st nationally. While recently, "Brain Drain" has been temporarily halted as a result of our state's positive economic environment relative to other states, I believe this is a long-term problem that must be addressed at a statewide level. LB205 would do just that by creating the Next Generation Nebraska Commission--a 15-member working commission within the Department of Economic Development. The commission is modeled after a similar entity in Iowa, and seeks to address the "Brain Drain" phenomenon by advising DED in the development of activities and programs designed to attract and attract the young adult population in Nebraska. In addition, the working commission would develop best practice guidelines for Nebraska employers to help

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attract and retain young adult employees and would submit findings and recommendations to both the Governor and the Legislature. Under LB205, members of the commission would be appointed by the Governor for a two-year staggered term, and would have to be between the ages of 18 and 40 at the time of their appointment. In addition to the voting members, four members of the Legislature would be appointed by the Executive Board as nonvoting members of the commission. The commission is designed to be bipartisan, and with no more than eight voting members to be members of the same political party, the commission members must be evenly divided between the three congressional districts. The commission would also sunset by January 1, 2015. During the drafting process, my office discovered that Nebraska Revised Statute 81-178 provides that members of any state board or commission is entitled to reimbursement of expenses, even if authority for such reimbursement is not contained in the section of statute creating the board or commission. Given the difficult fiscal situation facing our state, LB205 specifically exempts the Next Generation Nebraska Commission from these requirements, making this a true volunteer commission and ensuring that the bill does not have a fiscal note. The type of collaborative approach envisioned in LB205 has been utilized to combat "Brain Drain" in all corners of the state from the various Chambers of Commerce young professional groups in multiple Nebraska communities to homegrown approaches like the McCook youth league described in one of my handouts. By bringing together young Nebraskans from both ends of the political spectrum and all three congressional districts, the Next Generation Nebraska Commission represents an opportunity to build on the existing efforts of local Chambers of Commerce economic development organizations and young professional groups. Thank you for your time, and I'd be happy to answer any questions you may have. [LB205]

SENATOR PAHLS: Senator Pirsch. [LB205]

SENATOR PIRSCH: Could you tell me just some of the things they've done...they've worked on in Iowa since that's kind of your model. [LB205]

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SENATOR MELLO: As I laid out in the testimony, Senator Pirsch, a few items that they've worked on, is coming up with different guides, different policy recommendations for those state governments and local governments to help provide those governing entities or political subdivisions in Nebraska be the equivalent of working with businesses to provide hiring practices, work force development practices, training practices, things that would tie in, I think more along the lines of helping retain and recruit young professionals and young adults to their local communities with the assistance of government and the Chambers of Commerce. [LB205]

SENATOR PAHLS: Senator Pankonin. [LB205]

SENATOR PANKONIN: Thank you, Chairman Pahls. Thank you, Senator Mello. As you well know during this session, we've talked about reducing government and reducing things, in general. And I have mixed feelings about these type of efforts whether, even though the cost, and I appreciate that, that there wouldn't be the cost of attending meetings and that sort of thing. But, you know, so it takes time for someone from DED to organize or someone's got to organize; someone's got to be involved. And, I mean, time is money, it costs. I guess my question is, are we going to get value out of this, you know, nice gathering, nice meeting, meet some people, network? But, obviously, you put it forward. I'm just wondering, is this really going to help us as a state? I think the goal is laudable, no doubt about it. But whether this is the mechanism, is it worth it? [LB205]

SENATOR MELLO: That's a great question, Senator Pankonin. I wrestled with that as we researched and developed this bill, in part, because of the fiscal crisis the state is in right now in the sense of not wanting to add, I'd say, more layers of government or not wanting to put an extra cost, so to speak, on any particular state agency on the new initiative. As we develop this, though, really what came down as we put the framework together, really what this does, it just brings, I think, younger Nebraskans to the decision

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making table within our existing economic development programs and analysis in DED. The way the bill is drafted is it's a working commission that, essentially, the commissioners themselves are the ones who are responsible for pulling together the research, putting the research together in a report, and eventually, they have to be working with DED staff in regards to how that report gets "produced" and/or presented to the Legislature and to the Governor. But at the end of the day, it's the 15 commissioners whose responsibility is to pull together any and all resources that might be needed to do this. And I think at the end of the day, I feel more comfortable knowing that (1) it's sunsetted, so it has a mission; it has a goal, and it will eventually end at a certain point in time when it provides that research and that report to both us and the Governor to, hopefully, try to look at innovative ways that other states have done it; also, get feedback from, I think, the young, educated Nebraskans who either want to stay here and/or are leaving and/or some young Nebraskans who have come back and why they have. So, I think it's a very valid question that we wrestle with, but I think at the end of the day, the way we drafted it and the vision that we kind of took from a few other states to do something similar is that we made it a true volunteer commission and put in, wanted to make sure that the...I'd say the table of decision making was open to younger Nebraskans if they want to volunteer their time to do it. [LB205]

SENATOR PANKONIN: Thank you. [LB205]

SENATOR PAHLS: Senator McCoy. [LB205]

SENATOR McCOY: Thank you, Senator Pahls, and thank you, Senator Mello. In looking at the fiscal note, the Department of Economic Development appears...says that they believe this will cost \$15,000 a year. Do you have a plan to get around that? [LB205]

SENATOR MELLO: Well, I think the unique thing is, is that while the department put that fiscal note in, our Legislative Fiscal Office said that it did not have a fiscal note, and

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that the department could, indeed, absorb any costs associated with it, because, really, all the department is responsible for doing is helping them finalize a report and provide that report to the Legislature and Governor. So, obviously, I don't agree with the department's fiscal note, and that's why I believe in our Legislative Fiscal Office fiscal note, which, at the end of the day, that's what the Legislature utilizes for any budgetary purposes. [LB205]

SENATOR McCOY: Well,...well, or that, but you don't have any plan to address then the fiscal note or the (inaudible)... [LB205]

SENATOR MELLO: I think there's a general disagreement, possibly, in regards to whether or not the agency feels that this is a working commission. I don't know how else we could explain it to them with the exception of emphasizing in our testimony today as well as, I think, some of the testimony of some of the supporters, that this is a volunteer commission. There's no cost associated fiscal note-wise. It's just a matter of whether or not DED wants to, one, send a staff person to attend meetings which they don't have to do. And they don't have to organize any of the meetings. All they have to do, essentially, is put the information on their Web site, and at the end of a two-year period, work with the commission to say, provide us your report. We can look at the report, and then provide that report to the Legislature and Governor. So I think, to some extent, I don't buy "the department's fiscal note" and I've had conversations with them and expressed to them that I would emphasize today that this is a working commission; it's a volunteer commission, and that the agency's involvement is really up to the agency where it's clearly spelled out in the bill that all they have to do is essentially serve as a conduit to help put the report out to the Legislature and the Governor. [LB205]

SENATOR McCOY: Thank you. [LB205]

SENATOR PAHLS: See no more questions. Thank you. Are you going to... [LB205]

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SENATOR MELLO: I'm going to waive to get back to committee. [LB205]

SENATOR PAHLS: ...to go to Appropriations? Okay. Go appropriate. [LB205]

SENATOR MELLO: So, thank you. [LB205]

SENATOR PAHLS: Okay, how many proponents? Three. Opponents? Neutral? Okay. We are ready for the proponents. [LB205]

GARRY CLARK: Thank you, Senator Pahls and the rest of the committee. My name is Garry Clark. I am the executive director of Cuming County Economic Development. My name, Garry, G-a-r-r-y C-l-a-r-k. I am here as a proponent for this bill, LB205, simply because, from my personal experience, coming back to Nebraska after attending college here, I actually attended the formerly open Dana College in Blair, Nebraska, and also attended UNO for grad school and also, actually did some work with the Nebraska Investment Finance Authority, probably back in 2005 is when I completed my career here in Nebraska as a student. And upon that time, I decided, well, I want to go back to my roots. I'm originally from Washington, D.C., so at that time, I decided, well, maybe there's no opportunity for me here, particularly for the field that I wanted to be which was, actually, economic development. So, in a few years' time, I realized that the Nebraska Finance Authority and other community aspects in Nebraska, they continue to reach out to me and continue to give me advice on how to guide my career moving forward as a young person. And this year, actually, I returned in July as the executive director of Cuming County Economic Development. And what we focus on is, for communities in Cuming County which is Bancroft, Beemer, Wisner, and West Point, and those are primarily rural communities. And what we see in that area is a drain of youth who have potential and skills that could benefit each community, but they don't see the benefit of staying in their community right away. And we need programs and opportunities and committees that are cohesive and collective and collaborative to show and give opportunities for the young people to find out that there is an opportunity to

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stay in your community and be a leader in your community. So what I would say is, as a proponent for this, this LB205, is that it's an absolute need for us as a state, as communities in the rural area as well as Omaha and Lincoln and the larger cities, to make sure that we give some credence to that need to address the local youth area, and also, I'd have to say, it's one of those opportunities where we know that our future is held upon and focused on not only what we do as far as the Legislature, but also as how we affect these young people coming up, how we show support to them and these small rural communities. That's a need that is almost...it's one of those things that is almost paramount in our success and our survival as a rural community. So, I thank the committee for letting me speak. [LB205]

SENATOR PAHLS: Any questions? Thank you, Mr. Clark, for your testimony. [LB205]

GARRY CLARK: Thank you. [LB205]

SENATOR PAHLS: Next proponent? [LB205]

JUSTIN SOLOMON: Thank you, Chairman Pahls, Senators. I'm Justin Solomon, J-u-s-t-i-n S-o-l-o-m-o-n. I'm the student body president and student regent at the University of Nebraska-Lincoln. I'm here, obviously, on behalf of LB205 and developing the Next Generation Nebraska Commission. I believe Nebraska is hemorrhaging talent, and I mean that when I look around at my colleagues at the university, and I see them flocking to the coasts, moving to cities near and around the state of Nebraska but outside of the state, we're losing some of our best and brightest, and that's something that we have to counteract. Senator Mello referenced in the 2000 census numbers...I want to put my own spin on those. Nebraska's population in the decade only grew 8 percent, putting us 37th in the nation as far as growth goes, which is also a problem. If we want to grow our state, grow the talent level, grow the business here in Nebraska. The Next Generation Nebraska Commission takes a proactive and engaged stance on "Brain Drain" which is...I can't say enough how much of a problem that is in our state.

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And it's exactly what the state needs, in my opinion. I think there's little doubt in what this state's abilities are to get young minds and students ready for the global marketplace with our great universities and institutions of higher education. The problem lies in the state's ability to keep well-developed Nebraskans here. I recently testified on LB386, a provision to invest in internships to combat "Brain Drain" and that's, I think, the largest step. But what comes after that is LB205, because this is the component that re-ups our investment every year to combat "Brain Drain" and to keep these well-developed, bright individuals in our state. It needs to be a productive commission, and I applaud Senator Pankonin's remarks about, you know, how is this going to produce something? We need to make sure this is a commission that provides real benefit, but I think if you see some of the youth who are passionate about this issue who could get to work on a commission like this, I think you'll see great strides. I think we have many at the university and around the state who would love to try and tackle this issue, because they're experiencing them firsthand. What keeps students here today will not keep them here forever, and this is another reason why we need this commission. College students in universities are always evolving, and what the landscape is today will not be the landscape in even three years. Something different will be there to shape how we recruit these students and keep them here. Our state will have to be strategic, and we'll have to have a constant feel on the pulse of this crucial population to growing the state of Nebraska, and to truly be effective in its goal, it needs to keep that pulse, and I think that's what the commission will provide. The Next Generation Nebraska Commission to help Nebraska carry its commitment forward to combat "Brain Drain" and to keep the most ready, the most excellent students and professionals here in the state, I strongly encourage the adoption of LB205, and the creation of the Next Generation Nebraska Commission. Thank you, and I'd be glad to take any questions. [LB205]

SENATOR PAHLS: Senator Pirsch. [LB205]

SENATOR PIRSCH: Well, I'll just ask you...thank you very much for coming here today.

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Is there something about the existence of this commission that would help young people give their input in a way that could not take place without...I mean, you seem like you're pretty...you know, it's a good tribute...or good representative of the university coming here today. And with respect to just calling us legislators or calling the Governor, your elected officials, what is added by having this commission? [LB205]

JUSTIN SOLOMON: I think it gets a lot of people around the table, and I don't like commissions that sit there and throw around ideas and say they're doing things. I like results, and I like groups that get things done. That's probably number one. I think what you do is you combine a lot of minds that have a lot of different experiences, and you bring them to the table, and you develop something strategic. And you get to present that and have legislators in the mix. Of course, with this bill, there would be four appointed members of the Legislature as members of this committee. So you're interacting on this commission with people who can influence and change the law. Currently, you know, if I got a group of 15 students together at the university, I could easily do that, and we could talk. But then we'd come make the pitch, and you know, who knows where it goes? I think the added investment of the appointments by the Governor and then the appointments by the Executive Board really make this something special. [LB205]

SENATOR PIRSCH: Having this institutionalized gives more buy into the Legislature on an ongoing basis. [LB205]

JUSTIN SOLOMON: Absolutely. [LB205]

SENATOR PIRSCH: Thank you. [LB205]

SENATOR PAHLS: Seeing no more questions, thank you, Justin, for your testimony. Just as a reminder, if you are testifying, we do need this. Okay? [LB205]

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MIKE BATTERSHELL: Thank you, Chairman. I'll get one of those pink forms filled out on the way out. My name is Mike Battershell. I'm a member of the Greater Omaha Young Professionals Board, and I'm the 2011 Public Policy Chair. That's Mike Battershell, B-a-t-t-e-r-s-h-e-l-l. I'm here today to ask for your support of LB205, the Next Generation Nebraska Commission. For over six years, the Greater Omaha Young Professionals have spent time developing, attracting, and retaining young professionals in Omaha. We are a shining star nationally in our ability to partner with the private and the public sector to accomplish great things for our city. We strive to provide insight to our community leaders as to thoughts, feelings, and attitudes of people 21 to 40, and ensure that young professionals have a seat at the table. We host regionally significant YP summits that draw over 1,000 people. We recognize, through the YP Choice Award, employers who excel at being employers that YP's want to work for. We not only provide feedback, but we work to develop programming and identify innovations that will ensure Omaha remains a competitive draw for people all over the country in choosing their location to live out their dreams. I know that we're not the only YP group in the state working on goals similar. We have identified over 20 of these groups throughout the state ourselves. We feel that Nebraska is uniquely situated with strategic advantages that make it the premier choice to entrepreneurs and professionals, and we're ready to help take that...what we're doing in Omaha to the next level. This legislation provides a great opportunity to create a true public and private partnership. By creating a conversation on a statewide level that is focused on retention, attraction, and development of young professionals, it is my belief that the state economic development efforts will be strengthened. Often government asks for input from citizens, but it is rare that it helps create conversation with no agenda except for conversation to enhance. So what we're doing today through this bill is creating a conversation to help economic development with no cost to taxpayers. Senator Mello has done that by structuring the commission by bringing and identifying key leaders within the YP community including the Legislature and the Governor in creating the commission. By helping create the forum for conversation, not only will the DED receive feedback about best practices, but you will indirectly be creating a common goal for the entire state,

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linking the east to the west, urban and rural to create a conversation about what it takes to attract and retain young professionals in the state of Nebraska. I'm not implying it will solve all of the concerns about moving forward and about stopping "Brain Drain" tomorrow, but certainly is a good step in helping create the wheel and putting it in motion. I think that's about it. If you all have any questions, let me know. [LB205]

SENATOR PAHLS: Seeing no questions, thank you, Mike, for your testimony. [LB205]

MIKE BATTERSHELL: Thank you. [LB205]

SENATOR PAHLS: Any more proponents? Opponents? Neutral? And Senator Mello waived closing. That concludes LB205. We are now ready for LB345. Senator Conrad. [LB205]

SENATOR CONRAD: Hello, hello. [LB345]

SENATOR PAHLS: Good afternoon, Senator. [LB345]

SENATOR CONRAD: (Exhibits 1, 2, and 3) Good afternoon, Senator Pahls, members of the Banking, Commerce and Insurance Committee. My name is Danielle Conrad, D-a-n-i-e-l-l-e Conrad, C-o-n-r-a-d, representing north Lincoln's "Fightin' 46" Legislative District here in our Nebraska Unicameral Legislature. I am here to introduce LB345. I have a couple of handouts that I'm going to go ahead and start with, so that you can refer to them as I make my way through my opening. One is a letter of support from the Lincoln Chamber of Commerce; the other is an overview about what economic gardening is and some specific illustrative examples. LB345 establishes the Economic Gardening Technical Assistance Act through a two-year pilot program. This program would assist 40 Nebraska-based growth businesses. Half of these businesses would be located in urban areas and half of these businesses would be located in rural areas. The assistance provided includes market research, national and local demographic

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trends, strategy analysis, capital and labor referrals, and other growth tools directly targeted to small businesses and entrepreneurs. These small businesses and entrepreneurs typically lack the resources to commission these tools critical to their overall growth and success. This legislation complements LB379, the Nebraska Innovation Act, which I believe you had a public hearing on yesterday, introduced by Senator Hadley and myself at the request of the Governor. In fact, this legislation is the main component intended to directly benefit Nebraska's small businesses and entrepreneurs. This legislation is based on solid research, including the Battelle Study Commission by the Department of Economic Development, and your Legislature's innovation and entrepreneurship task force which I chaired during this interim period, and Senator Pahls was an active and valuable member of. Both studies found that by enacting policy reforms, we have a real opportunity to evolve our economic development programs, create good jobs, and ensure Nebraska is competitive in an ever-changing global economy. Nebraska, through the leadership of Governor Heineman and this Legislature, has done an outstanding job of evolving our traditional economic development tools related to recruiting and retaining large companies and good jobs through the Nebraska Advantage and Super Advantage Acts in recent years. We know that locally and nationally, small businesses are the engine in a vibrant economy and are the ones responsible for much of our job growth. However, small businesses and entrepreneurs generally lack the resources or employment base necessary to qualify for help with these traditional economic development tools. Thus, we should seize this opportunity to evolve our economic development tools for small businesses, entrepreneurs, and innovators, so they can start, grow, and thrive. I do have a proposal in the form of a committee amendment that I will present at the end of my testimony here today to help clarify the intent of this legislation. Our research from the task force indicated that many economic development professionals and business owners are unfamiliar with the term, economic gardening. Even though it is not a new idea in terms of economic development, it is a new concept for Nebraska. Economic gardening has a clear track record of success in various other jurisdictions, some local, and some on a statewide basis. And I passed out some information to further illustrate

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that point. The amendment we will propose simply changes the name of the program to the Small Business Innovation Act to harmonize provisions with LB379 and to further clarify the intent of the legislation. Finally, this legislation furthers the message that we heard loud and clear as members of the task force over the interim period. When examining a policy framework from other states that have successfully seized these opportunities, they envision a seamless partnership between the private sector, state government, and institutions of higher education. In fact, we have already received inquiries from the private sector for potential investment and partnership if this legislation is advanced. I'm happy to answer any questions. I know that there are those with expertise who will be following behind me today, and I urge your favorable consideration of this exciting legislation. Thank you. [LB345]

SENATOR PAHLS: Okay. Senator Utter. [LB345]

SENATOR UTTER: Senator Pahls, thank you, and Senator Conrad, welcome. There's probably nobody in the Legislature that is better prepared to ask questions about fiscal notes (inaudible) Commission. So, will you address the fiscal note, please? [LB345]

SENATOR CONRAD: Yes, and I think that we have identified a potential discrepancy in terms of intent and application, and will be working with fiscal and the Department of Economic Development to ensure that we're reallocating existing funds that are otherwise unobligated, and this legislation, if advanced, will have no General Fund impact or incorporate any new spending. [LB345]

SENATOR UTTER: And tell me the source of those funds that you have identified that you're going to change course with. [LB345]

SENATOR CONRAD: I think that the fund source that's identified in the bill as introduced is from a small economic development program, and these are funds that have not been allocated through the most recent funding cycle. I believe it was

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community development grant program, and I'm sorry, that's not the official name of it, but I think it's pretty close...Community Development Assistance Act. Thank you to my trustee aide. Yes. Senator Utter, and just to be clear how it works in most of those instances, there will be applications for grants or assistance into the Department of Economic Development for those various programs. And if all of those funds that we appropriate each year are not allocated, then they would either lapse or be utilized by other purposes, so it's just allocating things that had not been previously allocated, but had been previously appropriated which is confusing, but an important, I think, thing to clarify for the record, so it's not new spending, and it's not General Fund impact.

[LB345]

SENATOR UTTER: So these grants that are going to be made under this program have to be administered by somebody... [LB345]

SENATOR CONRAD: Yes. [LB345]

SENATOR UTTER: Where is the administration costs? [LB345]

SENATOR CONRAD: I think the original legislation anticipates that the Department of Economic Development would, on a contract basis, with either a local economic development group, institution of higher ed, or other qualified nonprofit contract for the provision of these services. [LB345]

SENATOR UTTER: And those funds would come out of the 200,000? [LB345]

SENATOR CONRAD: Yes. That would be my understanding, Senator. [LB345]

SENATOR UTTER: Thank you. [LB345]

SENATOR PAHLS: Seeing no more questions, are you going to be around for closing

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or move on to...? [LB345]

SENATOR CONRAD: Okay. I will plan to stay, and I want to be respectful of the committee's time, but this is a piece of legislation that is incredibly important, I think, to the state of Nebraska, and I'm considering, and I know other senators are considering, for priority designation. So, I'm going to make myself available just in case there are other questions, but otherwise, I look forward to continued and favorable dialogue. [LB345]

SENATOR PAHLS: Okay. Thank you, Senator. Let me just give you a feel. How many proponents? I see two proponents. Any opponents? Any in the neutral? Okay, we have...let's begin with the proponents. [LB345]

MARK GUSTAFSON: Chairman Pahls, committee members, good afternoon. I'm Mark Gustafson. That's G-u-s-t-a-f-s-o-n. I am the director of the Engler Agribusiness Entrepreneurship Program which is at the University of Nebraska-Lincoln. This program is a new program funded by a gift from Mr. Paul Engler to start an agribusiness entrepreneurship program at the university. In announcing his gift, Mr. Engler stated that statistics show that Nebraska has a higher percentage of population living in small rural towns than do other states, and he stated, I want these communities to not only survive, but to become more active. In my support of this legislation, I want to build a little...talk a little bit about that. He's not alone in his belief that entrepreneurship is the way to help communities survive...rural communities. Mark Dravenstott, who's the past vice president of the Federal Reserve Bank in Kansas City recently authored a report called, Past Silos and Smokestacks, a rural development proposal, and in that report, he had conducted a survey of the 12 midwest states as to how they spent their state economic dollars. He estimated that 80 percent of those dollars have, in the past, been spent on industry attraction kinds of incentives. He goes on to say that by focusing on the skill sets of innovation and entrepreneurship. Bigger dividends will be paid to the rural areas of Nebraska. He suggests a couple of recommendations spur both innovation and

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entrepreneurship and work to change the business climate. And in that regard, he said that encouraging homegrown companies and looking at entrepreneur and risk-taking must become embedded in our public policies. The innovation and entrepreneurship task force, and I commend Senator Pahls and Senator Conrad in holding those sessions and on the excellent job they did in providing a base of information in looking at entrepreneurship in the state, where we stand, and what we can do. One of the recommendations that came out that report revolved around is GEDAS which is Gallup Entrepreneurial Development and Acceleration System that the University of Nebraska along with the Omaha Chamber of Commerce and the Department of Economic Development...in working with Gallup, are putting in place. And that is to develop a strong mentoring program for second-stage companies, so with the provisions of this bill working in conjunction with that, I think we can develop a really strong program for second-stage...to help second-stage entrepreneurs move on to that next step which has been stated or will be stated is an area where significant growth and employment opportunities generally occur. I think this act is an important piece of a portfolio of programs the state can look at in addressing the entrepreneurial opportunities that exist in Nebraska. If you look at major league baseball, they have a farm system for their baseball players where they...anyone that has...there are a lot of young talent in baseball come and participate. And the reason they do that is because it's difficult to determine which of those young players are going to actually end up developing the skills to perform at that highest level. I think that's true with our entrepreneurial pool. We need to support our entrepreneurs at the beginning, because some of those will become second-stage entrepreneurs which this legislation addresses. And of those, some will become major employers in our region, so with that, I'll close. Thanks very much for the opportunity. [LB345]

SENATOR PAHLS: Senator Utter. [LB345]

SENATOR UTTER: Mr. Gustafson, is UNL looking to be the driver of this program? Is this something that you're looking to administer? [LB345]

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MARK GUSTAFSON: Of this particular program within this? [LB345]

SENATOR UTTER: Yes. [LB345]

MARK GUSTAFSON: I am not aware of it. It certainly isn't something that the Engler Agribusiness Entrepreneurship Program is looking at. We have certainly...as my presence would indicate, we're very supportive of it. [LB345]

SENATOR UTTER: Thank you. [LB345]

MARK GUSTAFSON: I can't speak for the university at some of the other programs, though. [LB345]

SENATOR PAHLS: Thank you for your testimony. [LB345]

MARK GUSTAFSON: Thank you. [LB345]

SENATOR PAHLS: Next proponent? [LB345]

TOM CHAPMAN: Good afternoon. Thank you, Senator Pahls and members of the Banking, Commerce and Insurance Committee. My name is Tom Chapman, C-h-a-p-m-a-n, and I'm here representing the Greater Omaha Chamber of Commerce. I'm the director of entrepreneurship and innovation. In that role, we've spent a lot of time identifying and looking at how entrepreneurs and small businesses grow. We've identified five pieces to an ecosystem that we think are general pieces, and we think that LB345 helps, in particular, in two of those pieces. Those five pieces are human capital, financial capital, (inaudible), and metrics, knowledgeable community, and infrastructure. Within LB345, economic gardening is a term that we typically bring it down to competitive intelligence and market analysis. The Greater Omaha Chamber of

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Commerce has 3,200 members roughly and about 75 percent of our members would be in the category that are sort of targeted by economic gardening which are second-stage growth companies...roughly five people to about 150 people. Over the last ten months, we've been looking at how to help those companies grow much more effectively than we have necessarily been able to do in the past. We think that economic gardening is a valuable tool, particularly in reference to Mr. Gustafson's testimony, the entrepreneurial acceleration system that Gallup is looking at. We think that's critically important to measure the human capital. We think the competitive intelligence and market analysis really do help companies with regards to providing an infrastructure that small companies can't build on their own, that they need some sort of pooled resource. And while the chamber has looked at this independently, we were pleased that the LB1109 commission also recommended economic gardening, so we're in strong support of LB345. In terms of some specific things that we've looked at, we've talked to the Edward Lowe Foundation and to Chris Gibbons in the city of Littleton. Those are the two organizations that have really been leaders in the space. Chris Gibbons, I would say coined the phrase and worked with an MIT professor in the mid-1980s to really grow a new way of doing economic development in Littleton, Colorado. That strategy was really premised on changing from an attraction-based program where they felt like they didn't have enough money to compete to a program where they were really helping companies grow essentially from local organic means. During that time, they doubled the number of jobs in Littleton which is...it's not a very big place, but they went from about 15,000 jobs to 30,000 jobs. We think that it has great application...economic gardening, both in rural areas and in urban areas. Within that spectrum, I also want to state that I don't think that you can really advocate strictly for economic gardening as a single strategy, but as Mark Gustafson said, it's a portfolio approach, you know, that you need to have some things that are targeted really at entrepreneurs themselves. Second-stage growth companies, retention and expansion, and attraction...all of those are key components when you talk about economic development. In the past, I think our state has struggled on the front ends with regards to entrepreneurship and second-stage growth. We've had good tools for retention and expansion. I think that

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LB345 provides us a new and good tool for those second-stage growth companies.
Thank you from the committee. [LB345]

SENATOR PAHLS: Senator Pankonin. [LB345]

SENATOR PANKONIN: Thank you, Chairman Pahls. Sir, thanks for being with us today and, as Senator Utter knows from...and Senator Pirsch, from serving on the Revenue Committee, this issue of, how do we get start-ups...more terms, (inaudible) investment and gardening now, and whatever? I think we're all searching for this. There's no doubt about it. It's what is the best way to go? What are the best policy and programs to try to be effective? I think, there again, the goal is a good goal. Everyone agrees with that. It's just what programs, what processes, what emphasis, what financial incentives work the best? I think that's a...would that be a true statement, Senator Utter? Senator Pirsch, that's hard sometimes I think to get a handle on. What's the best one? Why do you think this program has maybe more merit than others? [LB345]

TOM CHAPMAN: It's an interesting question. I would say the hardest problem to deal with, inside of the entrepreneurial space, specifically is human capital related...whether that's recruitment as has been discussed earlier or that's how do you engage and make more transparent? I think one of the problems that economic gardening really brings to the forefront is inside of human capital, it's hard to build teams. It just is. And if you look at successful, entrepreneurial businesses, teams are sitting...teams basically struggle to find a technologist, to find a salesperson, etcetera. What economic gardening, I think, does...it doesn't necessarily help you build a team. But what it does is it empowers a good team to be able to leverage new information. In my job at the chamber, we worked probably with about 300 to 400 new businesses a year. I particularly work with high-growth businesses. Generally, these are businesses that are exporting. The struggle really is on the team side, I would say first. So if you said to me, is this more important than building a good team? No, it's not. But if you said to me, can a good team succeed without good information and market analysis? No, they can't, because

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they won't know who their customers are. The first question you ask when you're in my position is, who's your customer? And very rarely do you get a very good answer.
[LB345]

SENATOR PAHLS: Senator Pirsch. [LB345]

SENATOR PIRSCH: Just a brief clarification to help me wrap my arms around this concept. As I understood, it was presented...it dealt with targeting companies that were high growth. You said you worked with 300, 400 companies... [LB345]

TOM CHAPMAN: Yep. [LB345]

SENATOR PIRSCH: ...primarily exporters. Is that what you said? [LB345]

TOM CHAPMAN: So, as a definition of high growth, what I typically use is 75 percent of the sales are outside of however you define your region. So in Omaha, we typically say, MSA. Often I'll include a hundred-mile radius, so it will include Lincoln. With a certain size market, usually, I use a billion dollar market. [LB345]

SENATOR PIRSCH: Your focus is outside dollars, (inaudible)... [LB345]

TOM CHAPMAN: So wealth coming into the community. Correct. [LB345]

SENATOR PIRSCH: I guess my question is, with respect to Littleton, because I did have a chance to go over your handout. Can you give me a description? I know it does mention that some of the projects for a bakery and a playland business...I mean, how do those fit in, though, to the concept? Or do they? Are these kind of outliers? [LB345]

TOM CHAPMAN: So I think it's an interesting question, because I think if you said to me, should they fit in all the time? The answer is probably not. But if you look at, for

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example, the Chamber of Commerce, and you say, if you build a toolbox that you can use to help somebody who's running a bakery that's exporting bread...and I use Rotella's Bakery as an example for those of you familiar with Omaha. Rotella's basically exports outside of about, no further than about 200 miles. So you won't find Rotella's bread in Kansas City. If you said to Rotella's, and you went in, and you helped them grow, so that they were now a national exporter, that really changes what that bakery looks like. It changes the focus, etcetera. I think it's hard to make the case for a coffee shop, a restaurant, a retail provision that the same tools apply. However, I would say that one of the fundamental flaws that we see in businesses that walk in the door still goes back to, do you know who your customers are? Do you know who makes you the most money in terms of margins, in terms of who you should be marketing to, etcetera? And I would say that this program really does help in that regard. So whether you're a day care, and trying to identify who really is seeking your service, I think it does do that. I wouldn't focus there if you put this tool in my hand, I wouldn't say, this is how you would do it, but I think if you have the tools, and somebody walks in and asks the question, it empowers you to be able to give them a better answer. [LB345]

SENATOR PIRSCH: I think that's a good point. Actually, I think Rotella's does distribute on the East Coast so. [LB345]

TOM CHAPMAN: It's a good example of a bakery. I was trying to come up with one, honestly. I don't eat enough bread, I think. [LB345]

SENATOR PAHLS: It's good bread. [LB345]

SENATOR PIRSCH: Yeah. [LB345]

SENATOR PAHLS: Seeing no more questions, thank you for your testimony, Tom. [LB345]

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TOM CHAPMAN: Thank you. I appreciate your time. [LB345]

SENATOR PAHLS: Thank you. Thank you again. Proponents? Opponents? Neutral? Senator. [LB345]

SENATOR CONRAD: Thank you. Thank you, Chairman Pahls, members of the committee, and also, thank you to those who took the time to be here and share their expertise and support for this piece of legislation. A couple of points in closing. One, there's a variety of different eligibility provisions contained in the legislation as proposed. I have been receiving a lot of feedback from different folks in the private sector from our partners in higher ed and within state government to maybe look at shifting or changing those. And so, I just want to make clear on the record, my commitment to working with interested parties to make sure that we have a uniform definition for those that we seek to assist through this legislation, if adopted, and my message to you in that regard is, those issues are all open to negotiation. But keep an open mind, and give careful consideration to the concept itself which is really at the heart of this, and which is critically important. In terms of a good question posed by Senator Pankonin, and I know that other committees are grappling with, particularly in difficult economic times. I think you're right on. We don't have a values problem here in terms of examining and evaluating these different component pieces of legislation. I think we're all eager to learn more and be responsive to ideas that have the opportunity to create jobs which is one of the most important priorities that our constituents are demanding from us in the present time. But it ultimately comes down to prioritization, and I'm hopeful as these various component parts move through, that we'll be able to pull people together to talk about the highest and best use of existing resources to advance those goals. And I firmly believe after chairing the task force, that if we move through in a piecemeal manner, we have the opportunity to set up potentially piecemeal success. And my hope would be, before this body or beyond would become fatigued on some of these issues, that we, indeed, have a package that is uniform, that is comprehensive, and that seeks to evolve programs to help high-wage job growth, and otherwise move forward. And I think that

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we can do that with existing resources, and with a lot of hard work which none of us has ever shied away from. Finally, a couple of points. We have full reports of the task force recommendations available. They're on-line at the Legislature's Web site. Due to budget constraints, we don't have hard copies for everybody, but we can make them as requested, if need be, and they may be of assistance to your consideration. And, finally, we have a fairly in-depth...about 20-minute power point that the task force had a chance to have presented to it by Chris Gibbons in Littleton, Colorado, about how economic gardening actually works. It's available via web. We can easily send you a link to that, if you're interested, but I know you're busy, so I didn't want to throw that out. And, finally, again, I'm happy to answer any questions, but thank you. Thank you for your time.

[LB345]

SENATOR PAHLS: Senator Utter. [LB345]

SENATOR UTTER: Senator Conrad, there are a lot of programs for economic development of various sizes from small to large. Do you see any duplication? Are we embarking on anything here that may be duplicating programs that are already in existence in this area? [LB345]

SENATOR CONRAD: That's an excellent question, Senator Utter, and I think that part of our charge from the Legislature and working on these issues over the interim through the task force was to identify potential duplication of existing programs and to figure out if limited resources were being used for their best and highest purpose. And we've suggested some room for improvement and reorganization. The major components thereof are in Senator Hadley's bill that you heard yesterday, and so that's a big piece of this moving forward. But in terms of, is state government or any other local governments or other entities providing this kind of deep analytics to small businesses and entrepreneurs in the present sense? No, they're not. And by making an investment in these types of activities, this is filling a void that exists in Nebraska and is really important to helping those small businesses who can't get at those other tools, have

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some tangible tools available. [LB345]

SENATOR UTTER: Senator Pahls, if I may, I'd just like to recognize in the audience the leadership group from the Nebraska Bankers Association that is here today, and I don't think they're going to testify on your bill, Senator Conrad (laughter), but I thought it might be nice to recognize their presence. [LB345]

SENATOR CONRAD: Thank you for the recognition. Yes, absolutely. And we're happy that they can be here on what I find to be a very, very exciting day at Banking and Insurance, but I'm sure they're all exciting days from your perspective, so. [LB345]

SENATOR PAHLS: And you even added to it. Thank you, Senator. [LB345]

SENATOR CONRAD: That's right. Thank you. [LB345]

SENATOR PAHLS: That closes the hearing on LB345. Now, Senator Schilz, we are ready for LB684. [LB345]

SENATOR SCHILZ: (Exhibits 1, 2, 3, 4, 5, 6) Thank you, Senator Pahls and members of the Banking, Commerce and Insurance Committee. For the record, my name is Ken Schilz, K-e-n S-c-h-i-l-z, and I represent the 47th District. I'm here to introduce LB684. To clarify up-front, it's my intent to replace LB684 with AM30 which, hopefully, you are provided with. The purpose of LB684 is to create communication across the state, create new tourism opportunities and capture more revenue for our state, communities, and private interests. I know that for a fact there are ways to expand tourism statewide. Tourism is truly an untapped resource in Nebraska. We offer experiences that cannot be found in other states or countries, and I believe people will pay for these experiences. Tourism can generate more revenue for Nebraska. Tourism is an ideal industry to grow, and it literally imports cash to our state, and you heard on the last bill, people are asking about who their customers are. Well, we understand because they

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come to us, and so it's pretty easy to figure that out, and they bring money mostly. I mean, that's why they're coming here. LB684 provides direction to the Travel and Tourism Division, does not create another board or program, nor does it require we find new funding. But it does require that the existing travel advisory committee include at minimum the following representation: Representation from the Nebraska Travel Association, representation from the Nebraska Hotel and Motel Association, and representation from a tourist attraction that reports at least 2,000 out-of-state visitors per year, and a representative from the Nebraska Association of Convention and Visitors Bureaus. It should be noted that this bill is written to allow more than one representative from each group. I believe this is important to make sure that we have representation from across the state. I also suggest that the language include a representative from the Game and Parks Commission which is in the amendment, AM30, that is before you. Given the number of out-of-state visitors who return to Nebraska each year to hunt, fish, golf, canoe, hike, bike, boat, and even look at the stars among many other various things, we need to take a step back, review the opportunities that are available to us, and develop a comprehensive plan. We also need to inspire state agencies, governments, private interests, and communities to think outside the box and work together not only to develop a strategic plan but also to examine our existing revenue sources and ensure we are investing them to yield the greatest returns. The tourism industry has changed significantly in the past decade. It is time we bring all the parties together and devise a new vision, a new plan, a plan that encompasses the entire state, a plan that brings east and west, urban and rural to the table to work hand in hand to build our economy through tourism. Think of the development our state has experienced over the last ten years: elite Sandhills golf courses, rural ag tourism ventures, new arenas, convention centers in Kearney, Grand Island, Sarpy County, and soon Lincoln. Now, think of those areas that have immense potential such as in my area: Lake McConaughy, Lewis and Clark Reservoir, Pine Ridge, and the Sandhills in general. It is time to get serious about inviting people to come and enjoy our state, and have them leave their money here. LB684 directs the Travel and Tourism Advisory Committee to develop a statewide strategic plan. It is my intent that, at a minimum, the committee

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review what other states are doing, look at current funding sources, structures, criteria used, marketing strategies, and come back to the Legislature with recommendations. The committee may hire a consultant, and in addition to funds available through the Travel and Tourism Division, I believe others in the tourism industry are willing to chip in as well. We know that when the public and private sectors come together behind a plan, we generate better outcomes. This is about economic development. This is about strengthening our strong public, private partnership in the state, leveraging our opportunities, helping keep our young people here, and helping attract new, warm bodies to Nebraska. For those of you who may not be aware, tourism is Nebraska's third largest industry. The district I represent is a fantastic example of a rural area that attracts thousands of visitors from outside our state each year. On any given weekend in the summer, there are more nonresidents in Keith County, my home county, than residents. Keith County is one of six counties where tourism revenue is a significant percentage of the total economy. It counts for 6 percent of our county alone. Add in the pit stop many visitors make to Cabela's just down the road in Sidney, and you can see sales tax receipts that are quite substantial. And you can gain a better understanding of just how valuable tourism is. I ask for your support of AM30 to LB684 and also leave you with AM279 which adds the representative from Game and Parks. And there are several other bills impacting tourism that could also be addressed through this process in LB684. I ask for your support. If the committee decides to move this bill out of committee, I want to share that I feel that this is a big enough opportunity that I might even consider making it my priority. The sooner we get this bill passed, the sooner we can get to work on providing economic development opportunities through proper planning and marketing of our state and its tourism resources. Thank you for the opportunity to present LB684 in front of the committee, and I'd be happy to answer any questions if I can. [LB684]

SENATOR PAHLS: Senator Pankonin. [LB684]

SENATOR PANKONIN: Thank you, Senator Pahls. Senator Schilz, maybe it's just me,

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but I've got the smaller amendment about the Game and Parks. But the amendment you've talked about that replaces the bill, I don't know that we have. [LB684]

SENATOR SCHILZ: Um-hum. We didn't get that. Hmm, wonder why we didn't get that. [LB684]

SENATOR PANKONIN: Or does anybody else have it? [LB684]

SENATOR PAHLS: No. [LB684]

SENATOR PANKONIN: Oh, okay. [LB684]

SENATOR SCHILZ: Hmm, interesting. I will get that for the committee, but I can tell you this, that the commentary and the testimony that I gave tracks what AM30 does, and so that can be made available. [LB684]

SENATOR PANKONIN: Just a follow-up question if I may. This effort came on behalf of someone or your office initiated or what was the...? [LB684]

SENATOR SCHILZ: This came upon collaboration with myself and other folks that were looking at opportunities that are...or lack of taking advantage of opportunities that are going on both Lake McConaughy and other places around the state. [LB684]

SENATOR PANKONIN: One thing to note, one last final comment, I guess, really is...yesterday, we had a long day of bills, and one of the things, you referenced lodging tax. The Department of Economic Development director said lodging tax is up throughout the state except for the Omaha-Lincoln area. It's actually been up, you know, overall, but it's mainly coming from the nonmetro area, so I think that's encouraging in this effort (inaudible). Yeah. [LB684]

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SENATOR SCHILZ: Absolutely. I think it's a huge opportunity. [LB684]

SENATOR PANKONIN: Okay. [LB684]

SENATOR PAHLS: Senator Pirsch. [LB684]

SENATOR PIRSCH: Let me ask you...you said in your statement of introduction that the Department of Economic Development tourism division currently has an advisory committee. Is that right? [LB684]

SENATOR SCHILZ: Yes. [LB684]

SENATOR PIRSCH: It's an informal? It's not in statute or (inaudible)? [LB684]

SENATOR SCHILZ: As far as I understand, it is not in statute. [LB684]

SENATOR PIRSCH: Is there anything that you gain by enshrining it in statute, making it formal, so to speak, as opposed to leaving it on the basis that it is now? [LB684]

SENATOR SCHILZ: Right. I think that, as with anything, if you put something in statute, you give it credibility. You empower folks to do things and get stuff done, and when we talk here about this, quite honestly, I mean, everybody sits and says, oh, here we go. Schilz wants to do another study. Well, I think what we really need to consider here is that this isn't a study, so to speak. This is a marketing plan for tourism for the state of Nebraska, and marketing plans for something like this are hugely important. We heard just before when somebody sat here, that they talked about who is your customer, okay? Marketing plans tell you who your customer is, so that you're not wasting dollars going out there and spending things fruitlessly. [LB684]

SENATOR PIRSCH: Yeah. And don't misunderstand me, I think tourism is, as you say,

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the third largest industry in the state and (inaudible)... [LB684]

SENATOR SCHILZ: Maybe I was anticipating. [LB684]

SENATOR PIRSCH: Really? No, no. I guess the informal advisory committee that exists now, can you comment upon what they do or what they have done? [LB684]

SENATOR SCHILZ: You know, I think I really can't, but maybe there's somebody that's here that could help you out, and if not, I will get you what they've done. [LB684]

SENATOR PIRSCH: I'm just trying to get an idea of why the current...the way it currently exists, what type of activities they've done and what they're, you know, what the results are. [LB684]

SENATOR SCHILZ: Sure. Absolutely. [LB684]

SENATOR PIRSCH: Thank you. [LB684]

SENATOR SCHILZ: Yeah. [LB684]

SENATOR PAHLS: Senator Utter. [LB684]

SENATOR UTTER: Senator Schilz, first of all, I'm kind of glad to hear that you do cooperate with yourself. But a larger and more serious question is the fiscal note. [LB684]

SENATOR SCHILZ: Um-hum. Right. [LB684]

SENATOR UTTER: And I suppose that you're going to tell me that the amended version of this bill takes the fiscal note away? [LB684]

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SENATOR SCHILZ: Yeah. What the amended version does is it takes it out of lodging tax dollars that are already there, already available. We don't have to collect; we don't have to have anything go in that increases any other tax. Those monies are already available within that vehicle there. [LB684]

SENATOR UTTER: And where are these tax dollars going right now? [LB684]

SENATOR SCHILZ: The tax dollars are going into the travel and tourism division to be spent, and we would redirect those. It would basically do some of the same things, just redirect to how you would come up with the plan and what you would use those going forward for. [LB684]

SENATOR UTTER: Thank you. [LB684]

SENATOR SCHILZ: Yeah. [LB684]

SENATOR PAHLS: Okay. Senator, are you going to stick around for the closing since you're in the next bill? Might as well. [LB684]

SENATOR SCHILZ: I think I will, yeah, probably. [LB684]

SENATOR PAHLS: Okay. The only thing I'm going to ask is that we do not relive some of the testimony that we did yesterday on tourism. You know, I'm just telling it to people following. That was yesterday's... [LB684]

SENATOR SCHILZ: So here we go again, huh? (Laugh) [LB684]

SENATOR PAHLS: Yeah, all right. Just so...okay. Seeing no questions, we'll let you... Proponents? Just by a show of hands. One, two, three, four. Opponents? Neutral? This

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is a day for proponents. This is a good day. Okay. I'm ready for the first one. [LB684]

DANA MARKEL: (Exhibit 7) Chairman Pahls, members of the Banking, Commerce, and Insurance Committee, my name is Dana Markel, D-a-n-a M-a-r-k-e-l. I'm the executive director of the Omaha Convention and Visitors Bureau, but I'm here today speaking on behalf of the Nebraska Association of Convention and Visitors Bureaus in support of LB685 (sic). Thank you very much for allowing me this opportunity. Our association is comprised of tourism professionals representing 29 counties throughout our state. The role of a Convention and Visitors Bureau is similar to a political body, and maybe we are a political body, because we use government funds. But our constituents are tourism related businesses that drive new revenue into our communities. It is our job to develop our communities into a unique destination. We are the tourism experts of our counties, and our success is measured by the tourism dynamics of our destination and the revenue that bring visitors to work, play, and even rejuvenate. Our interests are focused on growing our economy, and our wish is to assist the Department of Economic Development in achieving a greater return on public tourism expenditures. Our association, comprised of state tourism experts, view this legislation as a means to add professional input to the public decisions that affect our industry. LB684 defines the roles of various state tourism entities and allows them to work in collaboration with the Department of Economic Development. Our relationship with the Department of Economic Development and the Division of State Tourism is strong, and along with the department's leadership, our state tourism's investments can generate a richer economic return with a greater tourism voice in the decision making process. Those of us that live in our destination know how best to turn a geographic location, a rural experience, a unique restaurant, or other points of interest into a visitor attraction. We understand the hidden treasures of our counties and want to work hand in hand with the Department of Economic Development to develop and promote them into a new revenue source for our state. We thank Senator Schilz for introducing LB684 and appreciate his interest in building a stronger tourism economy for our state. I guess on a side note from the testimony, I do serve on the current advisory committee for state

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tourism, and just to respond to the previous question. We meet typically once a year or possibly twice a year. It is very informal, and I would support a reorganization of this committee to provide input, hire professional consultant to plan strategic direction. Thank you very much, and I'm happy to answer any questions. [LB684]

SENATOR PAHLS: Sure. I see no questions. Thank you for your testimony. Next proponent. [LB684]

ALICE LICHT: (Exhibits 8, 9) Good afternoon, Senator Pahls. My name is Alice Licht. That's A-l-i-c-e and the last name is L-i-c-h-t. I represent the Nebraska Hotel and Motel Association, and we're also affiliated with the American Hotel and Motel Association here in Nebraska. We appear in support of AM30, AM79, and LB684 as it was drafted. We're very pleased that Senator Schilz introduced this legislation, because we believe it's long needed. As pointed out earlier, tourism is the third largest employer and industry in the state, and as the previous testifier indicated, the advisory committee or the committee that has been working on tourism with the state is very advisory in nature, and we like seeing somewhat of a structure here. It would formalize the people who do give input to the department, and present company, and take that all totally out. Tourism is one of those things that, depending on who the governor is or depending on kind of the state of the economy, sometimes it can get lost. And this would provide a little bit more structure to provide continuity for the Department of Economic Development in the tourism division, and bringing in people who actually work day to day in that industry. I apologize, I was not at the hearing yesterday. I handed out just some tourism facts for you. Nebraska ranks in the forties generally on what we spend in tourism compared to other states, and outside of the \$250,000 or \$500,000 we do get from the General Fund, it is totally funded from the hotel and motel tax, taxes paid by the people who stay in hotels. The average tourism budget nationwide runs about \$16.5 million. It might be up a little bit over that at this point, but in our surrounding states, particularly Missouri, Colorado, and Wyoming spend about two to three times what we spend. And our tourism lodging tax brings in about \$4 million a year, so we have to be

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very judicious about what we're doing and bringing in the people from the industry to help advise and set a strategic plan would be very welcome. I didn't speak to Senator Schilz about this, but if the committee would deem it possible, you may also want to consider adding someone from the Tourism and Travel Division or the program from the University of Nebraska. A few years ago, we were successful in getting a four-year degree program in hotel, motel, restaurant, and tourism management, and it might be advantageous to have someone from that school serve on this committee too, so they're in the loop on what is going on. As to the fiscal note, I believe it was \$75,000 out of the Cash Fund which is generated from the hotel and motel tax. We would have no problem in supporting that Cash Fund funding this program. I thank you very much. [LB684]

SENATOR PAHLS: Seeing no questions. Okay, Senator Pirsch. [LB684]

SENATOR PIRSCH: I just have...in the handout that you handed out, and it's just a clarification. The largest segment of where Nebraska tourist dollars are spent is something of a segment of auto transportation, 28 percent. [LB684]

ALICE LICHT: Isn't that interesting? [LB684]

SENATOR PIRSCH: Yeah. What does that encompass? [LB684]

ALICE LICHT: I'm assuming rental cars. [LB684]

SENATOR PIRSCH: (Inaudible). [LB684]

ALICE LICHT: Would that... [LB684]

SENATOR UTTER: Fuel. [LB684]

ALICE LICHT: Help me out, (inaudible). Yeah. Pardon? [LB684]

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SENATOR UTTER: Fuel. [LB684]

ALICE LICHT: Fuel and cars. Fuel. [LB684]

SENATOR PIRSCH: Thank you very much for clarifying that. [LB684]

ALICE LICHT: Um-hum. [LB684]

SENATOR PAHLS: Thank you for your testimony. [LB684]

ALICE LICHT: Thank you. [LB684]

SENATOR PAHLS: Any more proponents? Good afternoon, Senator. [LB684]

LOWEN KRUSE: Hello to all. Good to be with you on a cold day. My name is Lowen Kruse, 5404 North 50th Avenue in Omaha, and I will be quick. I support any additional conversation we can have on tourism (laugh). I think there's great opportunity in terms of...and I see it as an investment. I am vice president of the Florence Futures on North 30th in Omaha where we have been trying for about eight years to get attention of somebody and a conversation going to slow down the 80,000 people a year that go through our little neighborhood to go to the Mormon Trail Center, and we have not found any way to slow them down. Surely, somebody can help in this by conversation. We don't have barriers; we just don't have any participants in play. We are working on and are fairly far long. We've invested at about \$300,000 in developing an Indian--Native American Interpretive Center. If we put it in, it will be the only one for 800 miles around. I'm not talking about a museum. I'm talking about honoring our native culture and having persons there who can do that. That will be a big attraction. It's right within two blocks of the interstate. We see that as just one example of what we can do, and we celebrate every time somebody promotes tourism within the state. I thank you. [LB684]

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SENATOR PAHLS: Okay. Senator, I'll just have you spell your name for the record.
[LB684]

LOWEN KRUSE: K-r-u-s-e. [LB684]

SENATOR PAHLS: Any questions? Thank you. It's good seeing you. [LB684]

LOWEN KRUSE: Thank you. Thank you. Good to see you all. [LB684]

RENEE SEIFERT: Senator Pahls and committee, my name is Renee Seifert. I am the executive director of the Grand Island/Hall County Convention and Visitors Bureau, but I am here today to testify on behalf of the Nebraska Travel Association in support of LB684. The travel association is more commonly known to many around this state as NTA. [LB684]

SENATOR PAHLS: Could I have you spell your name just for the record? [LB684]

RENEE SEIFERT: I'm sorry. Last name is Seifert, S-e-i-f-e-r-t. First name is Renee, and that's even more difficult, R-e-n-e-e. Our association actually represents attractions, convention and visitors bureaus, the hotel launching industry, county visitor boards, outfitters guides, events, the byways, and any other tourism related entity and organization within the state. That is what our membership is comprised of. Actually, we're dedicating to increasing tourism in Nebraska. As organizations and businesses who day by day interface with visitors in Nebraska, we're very interested in being part of the process, and having this opportunity as presented by LB684 and the subsequent amendments that Senator Schilz has provided, and able to assist the Division of Travel and Tourism by helping to provide more informed opinions as we all work together to increase tourism in our state. The synergy that is created by our industry by working in partnership with the government to help develop tourism will benefit not only our local

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communities but our state in the future as well as, we feel, spur new tourism development. We do thank Senator Schilz for his support of tourism by introducing this piece of legislation that we feel can provide a stronger voice for our industry in the process of marketing our state as a destination. We do encourage your support of LB684 and the subsequent amendments which we feel will help increase tourism in Nebraska through collaboration between government and our tourism industry. I will tell you that I, in my former life, prior to moving to Nebraska, I worked in economic development, and a very good friend of mine once said to me in his state that he never goes anywhere without his convention and visitors bureau person. And it is primarily because what we sell is what is good about the state. It is the quality of life; it's all of the attributes--everything that it takes to encourage new business and new industry to move into a particular state. We do not have any problem with the fiscal note with those funds being reallocated to help bring in a consultant. And in the past couple of years, as in the industry, especially on the CVB side throughout the state, we have financially contributed to various studies to help our Division of Tourism, you know, complete some of the studies we would like to see done. So from, you know, we're willing to actually put our money where our mouth is and to be part of the process. So thank you very much. Any questions? [LB684]

SENATOR PAHLS: See no questions. Thank you for your testimony. [LB684]

RENEE SEIFERT: All right. Thank you. [LB684]

SENATOR PAHLS: Any more proponents? Opponents? Neutral? Senator. [LB684]

SENATOR SCHILZ: I won't take up too much of your time, but I do appreciate the opportunity. I apologize about AM30. You all should have a copy. I've got two more copies of that if anybody would like any more. Senator Kruse was up here, and he was talking about trying to figure out how to get 80,000 folks to slow down. I have kind of a funny story, but it's one of those stories that kind of fits. I used to have a friend...or I

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have a friend that used to work for Robert Mondavi in California, and when he started his winery, he was the only winery in the valley, and he couldn't get anybody to stop. So one Saturday morning, he started out on the highway in San Francisco and drove 15 miles an hour all the way back to his winery. And when he turned into the winery, of course, northern Californians, everybody turned in behind him (laugh) to let him know what they thought. But he said that was the only way he could get anybody to turn off, so there's always that opportunity for Senator Kruse. With that, if there's any other questions, I'd be happy to answer them. [LB684]

SENATOR PAHLS: Thank you. Senator. [LB684]

SENATOR PANKONIN: Thank you, Chairman Pahls. Senator, have you ever talked to Senator Loudon about his agri-tourism tours from Germany? Had you ever heard that story? [LB684]

SENATOR SCHILZ: I have not, but it's one that I'm sure is quite entertaining. [LB684]

SENATOR PANKONIN: Well, let me just tell you at an event that may have been before you started your service down here, but it's a great story. Senator Loudon was amazed. He had people...a man and a woman flying from Germany, flew into Denver, spent thousands of dollars on what they thought were appropriate clothes to work on a ranch. Then they showed up, and they stayed there for a week and paid him. And Senator Loudon said, this is the greatest deal ever. He said, not only free help--he said, they're paying to work and liking it. And it's a great story, and he goes, that's what we need to promote, people to pay to work on a ranch. [LB684]

SENATOR SCHILZ: That's right (laugh). [LB684]

SENATOR PANKONIN: So sometime ask Senator Loudon about that. It's a...I wish they would have made a movie of it the way he told the story so (laughter). [LB684]

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SENATOR SCHILZ: Well, it sounds like a good idea to me. Thank you. [LB684]

SENATOR PAHLS: Senator Utter. [LB684]

SENATOR UTTER: Senator Schilz, can you...the tourism taxes, the...there's a cash fund, I understand. [LB684]

SENATOR SCHILZ: Lodging tax. Right. [LB684]

SENATOR UTTER: The lodging tax. [LB684]

SENATOR SCHILZ: Right. [LB684]

SENATOR UTTER: Who determines how that money is spent? [LB684]

SENATOR SCHILZ: Who determines how it is spent? [LB684]

SENATOR UTTER: Yeah, the proceeds of the lodging tax. [LB684]

SENATOR SCHILZ: Well, when that comes in as far as I understand, there is a...there's a board appointed by the county that gets to decide through a grant process. [LB684]

SENATOR UTTER: It all goes back to the local communities, is that correct? [LB684]

SENATOR SCHILZ: You know what, some of it does. I'm not sure all of it does. And what I am understanding is...what I'm telling you is that on the local level, the way I understand it, where I've seen it work is that it's provided by a committee that's appointed by the county that gets to decide how to spend those dollars. Now, there may be a state side to it as well that sits there that's used on those other stuff. The \$75,000

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I'm sure would come from the state (inaudible)... [LB684]

SENATOR UTTER: I understand there's a fairly substantial cash fund? [LB684]

SENATOR SCHILZ: It could be. I don't know the level. [LB684]

SENATOR PANKONIN: Well, we talked about it yesterday. [LB684]

SENATOR SCHILZ: Yeah. [LB684]

SENATOR UTTER: \$700,000 is that correct? I wasn't here yesterday, because of another bill. [LB684]

SENATOR PAHLS: Yeah, 4.5 million. [LB684]

SENATOR UTTER: Four (inaudible). And so I guess I'm wondering, as this cash fund has obviously been built,... [LB684]

SENATOR SCHILZ: Um-hum. [LB684]

SENATOR UTTER: I assume that's where the money is...this proposed money is coming from. I just want to know what the approval process is and also would like to know, you know, if the lodging tax is producing this kind of funds, why are we sitting here with that kind of a cash fund? [LB684]

SENATOR SCHILZ: That's a question that I can't answer for you today, but I can tell you this. How many...one, two, three, four--if I get 5 votes here and 25 on the floor, then we decide how that money gets spent. [LB684]

SENATOR PAHLS: Okay (laugh). [LB684]

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SENATOR SCHILZ: Some of it. How's that? (Laugh) [LB684]

SENATOR PAHLS: Thank you. I think we can find some additional information. I appreciate... [LB684]

SENATOR SCHILZ: Okay. Thank you. And yeah, if you have any other questions or anything, don't hesitate to run me down, catch up with me. [LB684]

SENATOR PANKONIN: Run you down? (Laughter) [LB684]

SENATOR SCHILZ: Right. Careful (laughter). [LB684]

SENATOR PAHLS: Yeah. That closes the hearing on LB684. Senator Schilz, I'm not going to let you move too far. You chased everybody away, Senator. Have a good one. Thank you for coming. Okay, we will open up the hearing for LB551. Senator Schilz. [LB684]

SENATOR SCHILZ: (Exhibits 1, 2) Good afternoon, Chairman Pahls and members of the Banking, Commerce and Insurance Committee. For the record, my name is Ken Schilz, K-e-n S-c-h-i-l-z, and I represent the 47th District, and I'm here to introduce LB551. I bring this bill on behalf of a constituent who has been a funeral director in my hometown of Ogallala since 1984. Unfortunately, he was unable to make the trek from western Nebraska, but I submit his letter as an exhibit for the record along with a letter from John Long, owner and operator of the Bullock-Long Funeral Home in Grant. LB551 would amend Statute 12-1106 which was last amended in 2006, provides that the first \$4,000 of a burial pre-need sale may be placed in a trust with that amount annually adjusted according to the Consumer Price Index. This bill would increase the amount to \$8,500 with an annual CPI beginning in 2012. The proposed figure of \$8,500 was proposed as a sufficient amount for most individuals to contract for payment of their

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pre-need funeral arrangements. I will do my best to answer any questions you may have or pass them on, and I do believe there is somebody in the audience that if you do have any specific questions, technical questions, it would be better to ask them. But I would attempt to help you out however I can. I will say one thing. It was all really cool till I saw the fiscal note so. [LB551]

SENATOR PAHLS: Seeing no questions, we'll let...proponents. How many proponents do we have? Now is the time to come up to the front. Proponents? Opponents? Seeing no opponents, okay, we have two proponents. You may begin. [LB551]

BILL LAUBER: Thank you, Senator. Members of the committee, my name is Bill Lauber, L-a-u-b-e-r. I am a licensed funeral director and a licensed pre-need agent, and owners of funeral homes in Senator Karpisek's district and Senator Adams' district. Past president of the Nebraska Funeral Directors Association, and I'm currently cochair for the association. The Burial Pre-Need Act and the irrevocable allowance of \$4,000 with a CPI Index that's now in the statutes. In 2006, we placed into law at that time, that CPI Index has been a very helpful tool and provision in the act. It really hasn't been keeping up too much to where we'd be comfortable with. Our association wasn't the introducer of this bill, but we feel that it certainly needs to be discussed. One thing about the Burial Pre-Need Sales Act that we all need to understand is, and that is that the Department of Insurance, of course, governs the act, and we are, I think, what Senator (sic) Bruce Ramge, the director, indicated in LB71, was that we are the regulating community of that act. We are the ones who practice it. So with that in mind, I think we have to look at the irrevocable of \$4,000 with the proposal of \$8,500. I think the fiscal note that you see there is exceedingly high, in my opinion. And so, the \$8,500 that is proposed, I would suggest that we consider maybe having the senator consider an amendment and maybe looking at a figure, say, around \$6,000 instead of \$8,500 or maybe \$5,000. The Department of Insurance and the Burial Pre-Need Act...when we look at prearranging of funerals today, there are two vehicles that we use to fund funerals in advance of need today. One, is using a certificate of deposit or what we call trust, and the other one is

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insurance-based products. And the Department of Insurance basically governs the trust portion of it, and then the insurance products is then governed by insurance laws in the state of Nebraska. Every time we start talking about the maximum amount of allowances based on the \$8,500 or the \$4,000 that we have now is really Medicaid-based. So, when a funeral home makes a prearrangement, that person who is making the prearrangement, the individual, may or may not be applying for Medicaid at that time. But if they should have a catastrophic health illness, and they have a stroke or something, for example, and they have to go to a nursing home, and they consume all their resources for that nursing home care, and they have to apply for Medicaid, then that's where this irrevocable maximum amount of \$4,000 comes into play. And so, that is basically, in a nutshell, I would say pre-need 101, and I'm open for any questions that you may have. Thank you. [LB551]

SENATOR PAHLS: I see no questions. I think in the fiscal note probably has...we need probably some more additional information. [LB551]

BILL LAUBER: Yeah, yeah. There was LB71 that discussed the Burial Pre-Need Sales Act regarding the trustee from out of state. Our association's position on that is, we have no issue with that. However, I think there is some merit in keeping the trustee instate or keeping the money inside the state. [LB551]

SENATOR PAHLS: Okay. Yeah, that would be a different time. Okay. Thank you. [LB551]

BILL LAUBER: Yeah, yeah. [LB551]

SENATOR PAHLS: Any more proponents? Okay, opponents. Neutral. Senator. The good senator waives (laughter). Thank you. That concludes LB551. We are now ready for LB424. Senator Lautenbaugh. [LB551]

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SENATOR LAUTENBAUGH: Good afternoon, remaining members of the committee. My name is Scott Lautenbaugh, L-a-u-t-e-n-b-a-u-g-h. I think this is my first foray into the Banking Committee, and as you can see, I'm quite the draw (laughter) so. Let me tell you what this bill is about. NEFA, the Nebraska Educational Finance Authority, issues bonds for facility construction and renovation at Nebraska independent colleges and universities. It is a quasi-governmental entity, state agency, but the state does not guarantee the bonds. Board members at NEFA are appointed by the Governor and are unpaid volunteers. LB424 was introduced because of concerns that current law does not adequately protect board members from personal liability. LB424 essentially copies and incorporates into law the language that is in the NIFA statute. The Nebraska Investment Finance Authority is a similar state authority that also issues bonds. With the change, NEFA board members will be protected from personal liability except for willful dishonesty or intentional violations of the law. NEFA legal counsel, a current board member, and the executive director of the authority are here to more fully explain the bill and answer your questions. [LB424]

SENATOR PAHLS: Seeing no questions, thank you. Do you plan to stick around for the...? [LB424]

SENATOR LAUTENBAUGH: Yes. [LB424]

SENATOR PAHLS: Okay. Thank you. Proponents. I see we have two. Opponents? Three opponents. Okay, proponents, we are ready. Thank you. [LB424]

CURTIS CHRISTENSEN: Mr. Chairman, Senators, my name is Curtis Christensen, C-h-r-i-s-t-e-n-s-e-n. I serve as general counsel to Nebraska Educational Finance Authority, and I am before you today to testify in support of LB424, which, as Senator Lautenbaugh indicated, would amend the NEFA Act with respect to the personal liability protections afforded to NEFA's members. NEFA's members are appointed uncompensated volunteers. The existing NEFA Act affords them protection from the

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personal liability perspective, only with respect to the actual issuance of NEFA's revenue bonds. NEFA, as a public instrumentality of the state, undertaking public purpose on behalf of the state, does have other work that it does in addition to the simple issuance of bonds relating to administration, investments of its funds, and back-end transactions relating to the private colleges and institutions that it serves. Accordingly, NEFA's members do not wish to be and should not be exposed to personal liability for these additional items by virtue of their volunteer and appointed position in the performance of their duties. As Senator mentioned, NIFA--Nebraska Investment Finance Authority--a similarly situated state authority, has protections for its members that are identical with those which are proposed by this amendment set out in LB424. All that LB424 does is to copy and incorporate into the NEFA Act the precise language that's now found in the NIFA Act, thereby expanding the existing protection with respect to bond issuances to cover the other elements that I've discussed. The amendment would protect NEFA's members from personal liability except for their willful dishonesty or intentional violations of law and, in addition, permit NEFA, as is the case with NIFA, to purchase liability insurance for its members, officers, and employees, and to indemnify any member to the same extent that NIFA may indemnify its board members which reflects the same protection that school districts afford to their members. Accordingly, we ask for your support of this bill. I'd be very pleased to answer any questions. [LB424]

SENATOR PAHLS: I'm just curious. Has there been an issue or is this just being proactive? [LB424]

CURTIS CHRISTENSEN: It's primarily being proactive. There has not been a direct issue, but over the years, let's face it, the litigious nature of the world has become such that it's something that we have discussed. As our executive director will discuss with you, this also relates to the insurance coverages that NEFA is able to buy, and what's available in the marketplace. [LB424]

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SENATOR PAHLS: Okay. Yeah, thank you. Thank you for your testimony. [LB424]

CURTIS CHRISTENSEN: You're very welcome. [LB424]

SENATOR PAHLS: Appreciate it. Next proponent. [LB424]

LOWELL BERG: Senator Pahls and members of the committee, my name is Lowell Berg, B-e-r-g, and I'm the current vice chair of the NEFA board. And very briefly, I just want to reemphasize the fact that we are a volunteer board, and in order for us to continue to get qualified Nebraskans to serve on the board, there shouldn't be any question about our protection from personal liability issues. And that's it. Are there any questions? [LB424]

SENATOR PAHLS: Well done. Thank you. Next proponent. [LB424]

LINDA BEAVER: Senator Pahls and members of the committee, my name is Linda Beaver. That's spelled B-e-a-v-e-r. I'm the executive director of NEFA. And, of course, I'm here to support LB424, and I guess the best thing I can say to you is that it's really important that we be able to protect my board members in their service to the state and to NEFA. And when we go out and try and get insurance for this now, it has become very, very difficult to the point where this last year, when our directors' and officers' liability insurance was to be renewed, and we worked through our insurance provider for that, we literally did a nationwide bid for that piece of insurance, and we were only able to get one company to respond to that. And so, it is becoming more and more difficult, and I think as these people step up and provide this service to us, and, therefore, enable us to serve the colleges and universities, you know, the Creightons, the Hastingses, the Doanes, all of the private institutions that we serve, it's very important that we be able to provide this to our board members. And I certainly hope that you will support our efforts in this. If you have any questions? [LB424]

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SENATOR PAHLS: Yeah, I do have one. One person, like you say, you put out a bid of only one group? [LB424]

LINDA BEAVER: Only one insurance company would bid for it, yes. And they all...part of the material that was put together for them was also a copy of our statute, and I know they looked at that piece of it. [LB424]

SENATOR PAHLS: Really. Okay. Thank you, thank you for your testimony. [LB424]

LINDA BEAVER: Um-hum. [LB424]

SENATOR PAHLS: Any opponents? Any people in the neutral? Senator. The good senator waives. That closes LB424. Thank you, thank you. [LB424]